

State of California
BOARD OF EQUALIZATION
SALES AND USE TAX REGULATIONS

Regulation 1527. SOUND RECORDING.

Reference: Sections 6006, 6010-6012, 6362.5, Revenue and Taxation Code.

(a) RECORDING STUDIOS.

(1) Tax does not apply to the charges for the making of an original recording on recording media if the recording media is not delivered to the customer or to any person at the direction of the customer, and title is retained by the studio. If, however, the recording studio agrees to furnish finished records, acetates, tapes or other recording media, tax applies to the sale of such tangible personal property but, effective January 1, 1976, the measure of tax is limited to the sale price of the unprocessed recording media. Recording media includes wax, tape, wire, or other material used to embody sound.

(2) Rental of Studio Facilities. To the extent that the studio which is making the recording rents tangible personal property to the customer, tax applies in the same manner as it does to rentals generally.

(b) MASTER TAPES AND RECORDS.

(1) "Master tapes and master records embodying sound" means tapes, records, and other devices, not including mothers, stampers or finished records, utilized by the recording industry in making recordings embodying sound. The term includes, but is not limited to tapes or records which are produced for the immediate purpose of auditioning or demonstrating the particular artistic talents contained therein. The term includes tapes or records which are produced for use as radio commercials or other advertising, syndicated radio programs or for educational purposes. The term does not include recordings for video games or seismic surveys.

(2) Measure of Tax. Effective January 1, 1976, the measure of tax with respect to the retail sale of master tapes or master records embodying sound is limited to the sale price of the unprocessed recording media. The measure of tax does not include charges for labor in recording sound, services rendered in producing, fabricating, processing or imprinting the master tapes, any other services or production expenses or amounts paid for the copyrightable, artistic, or intangible elements of master tapes or master records, whether designated as royalties or otherwise. Tax applies to subsequent retail sales of master records and tapes in the same manner as tax applies to the original retail sale. (See Regulation 1529 for application of tax to recording sound for motion pictures.)

(3) Intermediate Working Products. The recording of sound on intermediate recording media used to produce a master tape or master record is included within the exemption for master tapes and records under (b)(2). For example, studio charges for recording on multi-track tape which is to be mixed down and transferred to two-track tape are not subject to tax. Tax applies only to the sale of the unprocessed recording media.

(4) Safety Tapes. Charges for the production of a safety copy of the master tape or master record exempt under (b)(2) are not subject to tax. Charges for the unprocessed recording media are subject to tax.

(c) PROCESSORS. The furnishing of "mothers", "stampers", and finished records by a processor to a record manufacturer constitutes a sale of tangible personal property and tax applies thereto.

(d) LIBRARY PRODUCERS. Tax applies to rentals of records and other tangible personal property by library producers in the same manner as it does to rentals generally whether designated as a license to use or otherwise.

Regulation1527. (Continued)

History: Effective August 1, 1933.

Amended February 16, 1949.

Amended September 2, 1965.

Applicable as amended August 1, 1965.

Amended and renumbered November 3, 1971, effective December 3, 1971.

Amended November 14, 1974, effective December 22, 1974.

Amended December 17, 1975, effective January 1, 1976.

Amended April 1985, effective August 14, 1985. In subdivision (a)(1), amended to use the term "recording media" in place of "wax, tape or wire"; and limited the measure of tax to the sale price of the unprocessed recording media. Deleted subdivisions (a) (3), (4), (5) and (6). Added new subdivisions (b) (1), (2), (3) and (4) to define "master tapes and master records embodying sound"; relettered remaining subdivisions. In relettered subdivision (c), substituted the term "mothers" for "masters" and substituted the term "record manufacturer" for "producer".

Regulations are issued by the State Board of Equalization to implement, interpret or make specific provisions of the California Sales and Use Tax Law and to aid in the administration and enforcement of that law. If you are in doubt about how the Sales and Use Tax Law applies to your specific activity or transaction, you should write the nearest State Board of Equalization office. Requests for advice regarding a specific activity or transaction should be in writing and should fully describe the facts and circumstances of the activity or transaction.